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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of

Access Charge Reform

Price Cap Performance Review  
for Local Exchange Carriers

Transport Rate Structure and Pricing

End User Common Line Charges

CC Docket No. 96-262

CC Docket No. 94-1

CC Docket No. 91-213

CC Docket No. 95-72

### JOINT COMMENTS OF BELL ATLANTIC AND NYNEX

BA/NYNEX<sup>1</sup> recommend that the Commission not adopt its proposal to recover common line costs through a presubscribed interexchange carrier charge ("PICC") on Special Access lines.<sup>2</sup> This proposal would make the local exchange carriers' ("LECs'") Special Access rates less competitive, and it would do little to reduce bypass of the LECs' Switched Access services. The Commission also should not amend its Part 69 rules to allocate general support facilities

<sup>1</sup> These comments are submitted by Bell Atlantic-Delaware, Inc.; Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, D.C., Inc.; Bell Atlantic-West Virginia, Inc.; New York Telephone Company and New England Telephone and Telegraph Company (collectively, "BA/NYNEX").

<sup>2</sup> See In the Matter of Access Charge Reform, CC Docket No. 96-262, First Report and Order, FCC 97-158, released May 16, 1997, paras. 403-406 ("FNPRM").

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investment and expenses to the billing and collection category.<sup>3</sup> This category is declining in significance as the interexchange carriers ("IXCs") take back their billing and collection services. If the Commission modifies its method of allocating GSF costs, it should adopt a rule that does not cause significant secondary cost shifts among the access charge categories.

**I. The Commission Should Not Recover Common Line Costs Through A PICC On Special Access Lines. (FNPRM, Paras. 397-406)**

Recovery of common line costs through a PICC on Special Access lines would make Special Access services less competitive, while not appreciably reducing the incentive for switched access customers to migrate to Special Access lines.

The Commission expressed a concern that the higher subscriber line charges ("SLCs") and PICCs on multiline business customers that it adopted in the Access Charge Reform proceeding would make it cost-effective for some multiline businesses to migrate from switched access lines to special access lines.<sup>4</sup> This would reduce projected switched access revenues from the multiline SLC and cause an increase in PICCs for the remaining switched access lines to make up for the loss of SLC revenue.

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<sup>3</sup> See *id.* at paras. 412-418.

<sup>4</sup> See *id.* at para. 402.

The Commission's proposal is not likely to reduce the incentive of multiline business customers to shift their traffic to the LECs' Special Access services. The minor reduction in the PICC that would result from including Special Access lines would not appreciably reduce the impact of the higher SLC and the PICC on customers of LEC business lines. These customers would still have an incentive to avoid the higher SLCs and the new PICCs by purchasing a combination of PBX equipment and LEC Special Access lines, or by purchasing business lines from competitive local exchange carriers ("CLECs"), who are not constrained by the Commission's access charge structure.

The proposal would harm the LECs by increasing their rates for Special Access services, which would make these services less competitive. Special Access is already a highly competitive service, and LEC rates for Special Access are constrained by the market. For example, competitive access providers have over 50% of the High Capacity Special Access market in New York, 40% in Boston, and over a third of the markets in Pittsburgh, Philadelphia, and Washington, D.C.<sup>5</sup> If the Commission mandated an additional PICC on Special Access, either by voice grade equivalent or by some other method, it would cause the LECs to lose even more market share. To the extent that the higher SLCs and the new PICCs on multiline business customers will cause them to shift

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<sup>5</sup> See NYNEX Request to Extend USPP Waiver to Eastern Massachusetts LATA 128, filed July 10, 1996, at pp. 11, 17; Quality Strategies Reports.

their traffic to Special Access, PICCs on LEC Special Access would incent these customers to shift that traffic to CLEC Special Access. This would only exacerbate the effect of the PICC on the LECs' ability to serve business customers. In short, the Commission's proposal would compound, rather than alleviate, the uneconomic incentives for customers to migrate from the LECs' networks to competing carriers.

As the Commission recognizes, a PICC on Special Access would be contrary to the objective of access reform, since it would impose common line costs on special access customers, who do not use common lines.<sup>6</sup> The Commission began this proceeding on the premise that the LECs would not be able to maintain uneconomic rates as the local telephone markets become more competitive.<sup>7</sup> For this reason, the Commission modified its access charge rules to allow the LECs to transition to a rate structure that places costs on the cost-causer. Recovery of common line costs from LEC customers who do not use common lines would be a step backward from the Commission's efforts to make the access rate structure compatible with a competitive market.

For these reasons, the Commission should not impose a PICC on Special Access.

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<sup>6</sup> See FNPRM at para. 404.

<sup>7</sup> See *id.* at para. 32.

**II. The Commission Should Not Adopt A Rule For Allocating General Purpose Computer Costs To Billing And Collection That Would Significantly Shift Costs Among Access Categories. (FNPRM, Paras. 407-418)**

The Commission notes that its current Part 69 rules do not assign general purpose computer costs to the billing and collection ("B&C") category, because these costs are included in general support facilities ("GSF") expenses and investments, which are allocated among access categories based on investment categories that do not include billing and collection.<sup>8</sup> AT&T contends that this constitutes an implicit cross-subsidy of B&C services, because the LECs use a portion of general purpose computer expenses to provide B&C services.<sup>9</sup> The Commission proposes to allocate a portion of general purpose computer costs to B&C using either special studies or the "Big Three Expense" allocator.<sup>10</sup>

There is no need to make this change to the Part 69 allocation rules at this time. The Commission has rejected AT&T's arguments on this point in the past, noting that "the AT&T proposals would change procedures that would provide a long-term solution to a temporary allocation problem. AT&T is in the process of replacing exchange carrier billing and collection services with its own billing

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<sup>8</sup> See FNPRM at para. 412.

<sup>9</sup> See *id.* at para. 411.

<sup>10</sup> See *id.* at paras. 415-17. Big Three Expenses are the combined expenses in Plant Specific Operations Expenses, Plant Nonspecific Operations Expenses, and Customer Operations Expenses. See 47 C.F.R. Section 69.2(e).

mechanisms.”<sup>11</sup> Since the Commission made that finding in 1988, AT&T and the other IXC's have, indeed, taken back most of the B&C services that they formerly purchased from the LECs. From 1990 to 1995, the net B&C revenues of the RBOCs and GTE have declined by over 80%, from \$240 million to \$46 million.<sup>12</sup> For this reason, the amount of general support computer costs that are associated with B&C are not significant, and they are likely to continue to decline in the future.

If the Commission decides, nonetheless, to modify its Part 69 rules to allocate some computer costs to B&C, it should not require the LECs to conduct special studies. Such studies are costly, require periodic updates, and are likely to result in significantly different allocations among the LECs. Nor should the Commission adopt its second proposal to use the Big Three Expense allocator for all Account 2110 GSF investment. This methodology would inappropriately allocate investments other than general purpose computers to B&C, since Account 2110 includes Account 2124, General Purpose Computers, as well as Accounts 2111 through 2123, which include items such as motor vehicles, garage

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<sup>11</sup> In the Matter of Amendment of Part 69 of the Commission's Rules and Regulations, Access Charges, To Conform It With Part 36, Jurisdictional Separations Procedures, CC Docket No. 87-113, 4 FCC Rcd 765 (1988), para. 32.

<sup>12</sup> See ARMIS 43-01 Reports. This represents reported revenues net of expenses for B&C.

equipment, and aircraft. It would also shift significant amounts of investments and expenses among the access charge categories.

If the Commission decides to allocate computer costs to B&C, it should adopt a GSF allocation rule that would address this concern without causing significant shifts in costs among access categories. The Commission should remove general purpose computer investment in Account 2124 and allocate it among B&C and the access categories based on modified Big Three expenses.<sup>13</sup> The remainder of Account 2110 GSF investment should be allocated based on the current Part 69 rule. The allocation of computer investment to B&C would then cause a portion of GSF expenses to be allocated to B&C under the existing Part 69 rules.<sup>14</sup> These changes would allocate an appropriate amount of general purpose computer costs to the B&C category without causing undesirable secondary shifts.

To reallocate a portion of computer investment to B&C, Section 69.307(c) of the Commission's rules should be redesignated as Section 69.307(d), and a new Section 69.307(c) should be adopted as follows:

69.307(c). All other General Purpose Computer Investment shall be apportioned among the interexchange category, the billing and collection

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<sup>13</sup> Modified Big Three Expenses should exclude any portion of an account that is itself apportioned based on the apportionment of GSF, to avoid circularity. See FNPRM at para. 417.

<sup>14</sup> See 47 C.F.R. Section 69.401 *et seq.*

category, and Common Line, Local Switching, Information, Transport, and Special Access elements on the basis of the big three expense allocator, modified to exclude expenses which are apportioned on the basis of allocators that include General Support Facilities investment.

Respectfully submitted,

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